

**COUNTY OF PLACER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This section of the County of Placer's (County) comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2005. It should be read in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section. All dollar amounts are expressed in thousands unless otherwise noted.

**FINANCIAL HIGHLIGHTS**

- The assets of the County exceeded liabilities at the close FY 2004-05 by \$624,706 (*net assets*). Of the net assets amount, \$283,784 in *unrestricted net assets* is available to meet ongoing obligations to citizens and creditors, \$40,599 in *restricted net assets* must be used only for specific purposes and \$300,323 is *invested in capital assets, net of related debt*.
- The County's total net assets increased by \$74,825. The increase is due to County growth as reflected by increases in all forms of taxes, operating grants and contributions, capital grants and contributions, and an increase in charges for services due to growth and development.
- As of June 30, 2005, the County governmental funds reported combined fund balances of \$318,152 an increase of \$31,876 in comparison with the prior year. Approximately 86.3 percent of the combined fund balances, or \$274,543 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the General Fund, the county's largest fund, was \$94,955 or 49.8 percent of total General Fund expenditures. However, this entire amount has been budgeted either for expenditure in FY 2005-06 or is reserved for future uses, although there is usually increased carryover fund balance each year from budget savings or revenues in excess of budget.
- The County's total long-term debt increased by \$4,713 or 4.3% in comparison with the prior year. Self-insurance liabilities (general liability and worker's compensation) accounted for a \$4,871 increase in long-term debt.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis in this section are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) **Government-wide** financial statements, 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. **Required Supplementary Information** is included in addition to the basic financial statements.

**Government-wide financial statements** are designed to provide readers with a broad overview of the County finances, using accounting methods similar to those of a private-sector business. These statements provide both long-term and short-term information about the County's overall financial status. The government-wide financial statements can be found on pages 17-19 of this report.

The *Statement of Net Assets* presents information on all the County's assets and liabilities as of the end of the fiscal year, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The *Statement of Activities* presents information on how net assets changed during the fiscal year, with revenues and expenses by major type or function. Revenues and expenses are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes, intergovernmental and program revenues (*governmental activities*) from other functions that are intended to recover most or all of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public protection, public assistance, health and sanitation, public ways and facilities, recreation and cultural services, and education. The business-type activities of the County include community health clinics, facilities management, food services, public transit and waste disposal.

*Blended component units* are included in the County's basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. Examples are the Redevelopment Agency of Placer County, the North Lake Tahoe Public Financing Authority, the Gold Country Settlement Funding Corporation and numerous County Service Areas and Special Districts governed by the Board of Supervisors. The First 5 Placer Children and Families Commission is reported as a *discretely presented component unit* because the governing body is not substantially the same as the County Board of Supervisors. For further information concerning the County component units, refer to the separately issued financial statements, which are available from the Office of the Auditor-Controller upon request.

**Fund financial statements** are the more familiar groupings of related accounts that are used to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state or federal law or by debt covenants. All of the County's funds can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on the shorter-termed financial resources, such as cash, that (1) have been spent on governmental programs during the fiscal year and (2) that will be available for financing such programs in the near future. The governmental funds financial statements are presented by major fund and for nonmajor funds in the aggregate on pages 20-26 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 21 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Public Safety Fund, Public Ways and Facilities Fund, Capital Improvements Fund and Capital Projects Securitization Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Proprietary funds** are of two types: enterprise funds and internal service funds. These funds provide services that are usually supported in total or major part by customer fees and charges. The proprietary funds financial statements can be found on pages 27-31 of this report.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. As noted previously, the County uses enterprise funds to account for Transit, Facilities, Health and Human Services, County Service Areas and Sewer Maintenance Districts.

*Internal service funds* are an accounting device used to accumulate and allocate costs for services to the County's various functions. The County uses internal service funds to account for its telecommunications operations, workers' compensation and risk management, employee dental and vision and unemployment insurance programs, fleet services operations and maintenance, special district's administration and operations, correction's food services and countywide technology development and maintenance. Because these services predominantly benefit governmental rather than business-type functions, they have been included primarily within *governmental activities* in the government-wide financial statements, except for special districts administration and operations, which primarily benefit the county service areas, sewer maintenance districts and waste disposal operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All of the County's enterprise funds are considered to be major enterprise funds. The County's three internal service funds are also combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds, except for agency funds, which have more limited accounting and financial statements because of their purely custodial character. The fiduciary fund financial statements can be found on pages 32-33 of this report.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 34-66 of this report.

**Required Supplementary Information** is presented concerning budgetary comparison schedules for the General Fund and major Special Revenue Funds, as well as the schedules of funding progress. Required supplementary information can be found on pages 68-74 of this report.

Immediately following the required supplementary information, the combining and individual fund statements and schedules referred to earlier provide information for nonmajor governmental funds and internal service funds. The combining and individual fund statements and schedules can be found on pages 75-109 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, net assets (assets in excess of liabilities) were \$624,705 at June 30, 2005, the close of the County's fiscal year.

	Governmental Activities		Business-type Activities		Total		Total
	2005	2004	2005	2004	2005	2004	(%) Change
<b>Assets:</b>							
Current and other assets	\$ 420,343	\$ 364,134	\$ 42,449	\$ 36,584	\$ 462,792	\$ 400,718	15.5%
Capital assets, net	238,419	198,276	91,207	89,396	329,626	287,672	14.6%
Total assets	<u>658,762</u>	<u>562,410</u>	<u>133,656</u>	<u>125,980</u>	<u>792,418</u>	<u>688,390</u>	<u>15.1%</u>
<b>Liabilities:</b>							
Current and other liabilities	61,702	28,395	3,932	1,684	65,634	30,079	118.2%
Noncurrent liabilities	94,436	96,060	7,642	8,192	102,078	104,252	-2.1%
Total liabilities	<u>156,138</u>	<u>124,455</u>	<u>11,574</u>	<u>9,876</u>	<u>167,712</u>	<u>134,331</u>	<u>24.9%</u>
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	211,898	171,083	88,425	86,172	300,323	257,255	16.7%
Restricted	40,599	133,199	-	-	40,599	133,199	-69.5%
Unrestricted	250,126	133,673	33,658	29,932	283,784	163,605	73.5%
Total net assets	<u>\$ 502,623</u>	<u>\$ 437,955</u>	<u>\$ 122,083</u>	<u>\$ 116,104</u>	<u>\$ 624,706</u>	<u>\$ 554,059</u>	<u>12.8%</u>

The largest portion of the County's net assets of \$300,323 (48.1 percent) reflects its investment in *capital assets* (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, such as tax revenues, since the capital assets themselves cannot be used to liquidate these liabilities. Another significant portion of the County's net assets (45.4 percent) represents *unrestricted net assets* of \$283,784, which may be used to meet the County's ongoing obligations to citizens and creditors. The remaining balance of the County's net assets of \$40,599 (6.5 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County reported positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

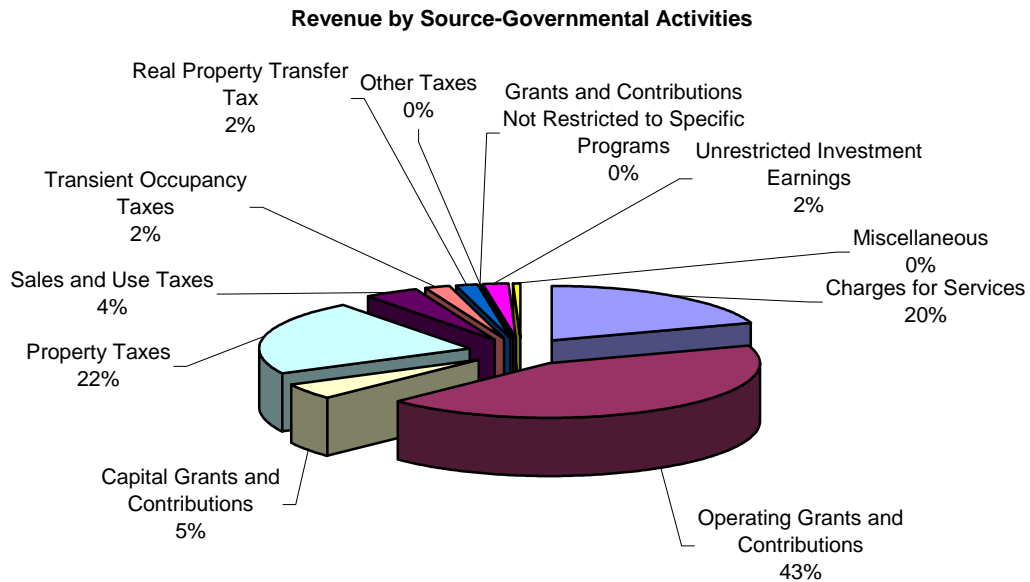
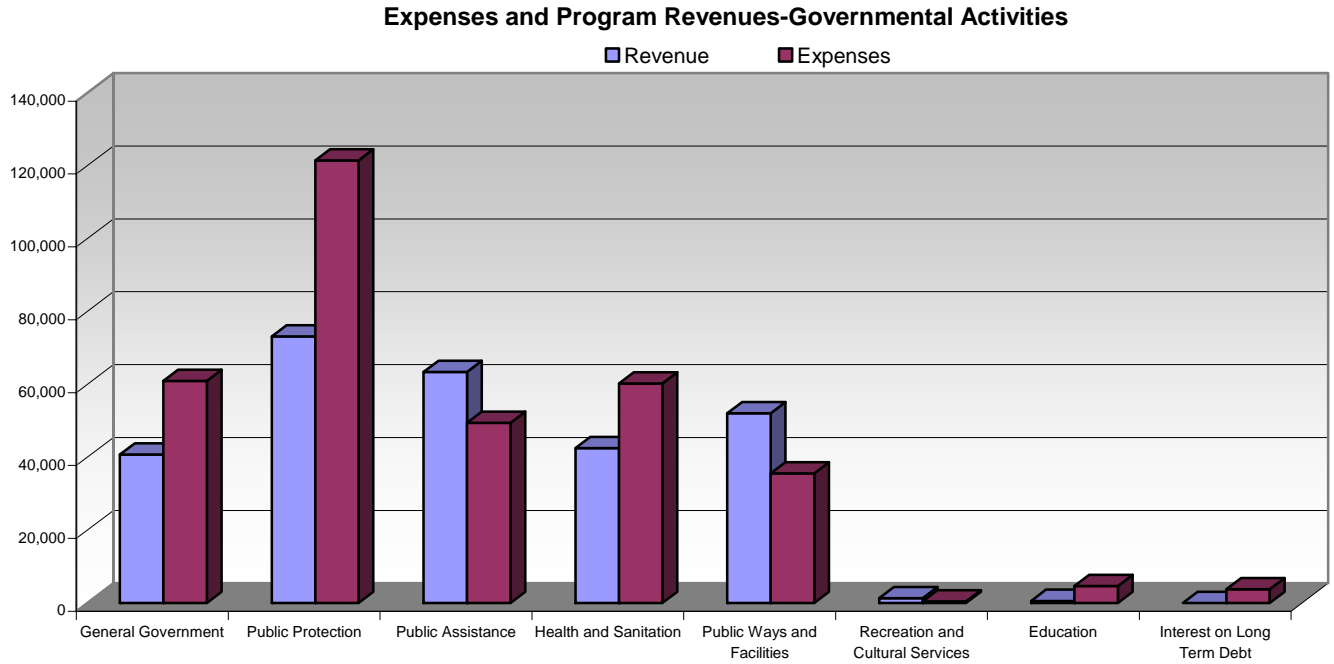
The County's total net assets increased by \$74,825. The following table indicates the changes in net assets for governmental and business-type activities:

**Condensed Statement of Activities**  
**For the Fiscal Year Ended June 30, 2005**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total (%) Change</b>
	2005	2004	2005	2004	2005	2004	
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 79,303	\$ 60,334	\$ 18,466	\$ 18,147	\$ 97,769	\$ 78,481	24.6%
Operating grants and contributions	174,839	158,683	9,078	7,257	183,917	165,940	10.8%
Capital grants and contributions	19,414	5,411	3,922	4,695	23,336	10,106	130.9%
General revenues:							
Property taxes	89,912	86,312	36	97	89,948	86,409	4.1%
Sales and use taxes	15,816	12,608	2,506	2,811	18,322	15,419	18.8%
Transient occupancy taxes	8,069	7,306	-	-	8,069	7,306	10.4%
Real property transfer tax	6,693	4,963	-	-	6,693	4,963	34.9%
Other taxes	89	51	-	-	89	51	74.5%
Grants and contributions not restricted to specific programs	458	1,283	-	-	458	1,283	-64.3%
Tobacco settlement	2,882	2,465	-	-	2,882	2,465	-
Unrestricted investment earnings	8,077	6,828	799	674	8,876	7,502	18.3%
Miscellaneous	1,838	2,629	-	-	1,838	2,629	-30.1%
Total revenues	<u>407,390</u>	<u>348,873</u>	<u>34,807</u>	<u>33,681</u>	<u>442,197</u>	<u>382,554</u>	<u>15.6%</u>
<b>Expenses:</b>							
General government	60,941	52,503	-	-	60,941	52,503	16.1%
Public protection	121,450	111,150	-	-	121,450	111,150	9.3%
Public assistance	49,378	50,005	-	-	49,378	50,005	-1.3%
Health and sanitation	60,182	48,893	-	-	60,182	48,893	23.1%
Public ways and facilities	35,566	40,083	-	-	35,566	40,083	-11.3%
Recreation and cultural services	409	595	-	-	409	595	-31.3%
Education	4,632	4,067	-	-	4,632	4,067	13.9%
Interest on long-term debt	3,721	3,818	-	-	3,721	3,818	-2.5%
Community health clinics	-	-	9,530	9,323	9,530	9,323	2.2%
Facilities	-	-	2,367	3,323	2,367	3,323	-28.8%
Public transit	-	-	6,154	5,298	6,154	5,298	16.2%
Waste disposal	-	-	13,042	10,589	13,042	10,589	23.2%
Total expenses	<u>336,279</u>	<u>311,114</u>	<u>31,093</u>	<u>28,533</u>	<u>367,372</u>	<u>339,647</u>	<u>8.2%</u>
Increase in net assets before special item and transfers	71,111	37,759	3,714	5,148	74,825	42,907	74.4%
Transfers	(3,869)	(2,421)	3,869	2,421	-	-	0.0%
Change in net assets	<u>67,242</u>	<u>35,338</u>	<u>7,583</u>	<u>7,569</u>	<u>74,825</u>	<u>42,907</u>	<u>74.4%</u>
Net assets, beginning of year, restated	435,380	402,617	114,501	108,535	549,881	511,152	7.6%
Net assets, end of year	<u>\$ 502,622</u>	<u>\$ 437,955</u>	<u>\$ 122,084</u>	<u>\$ 116,104</u>	<u>\$ 624,706</u>	<u>\$ 554,059</u>	<u>12.8%</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

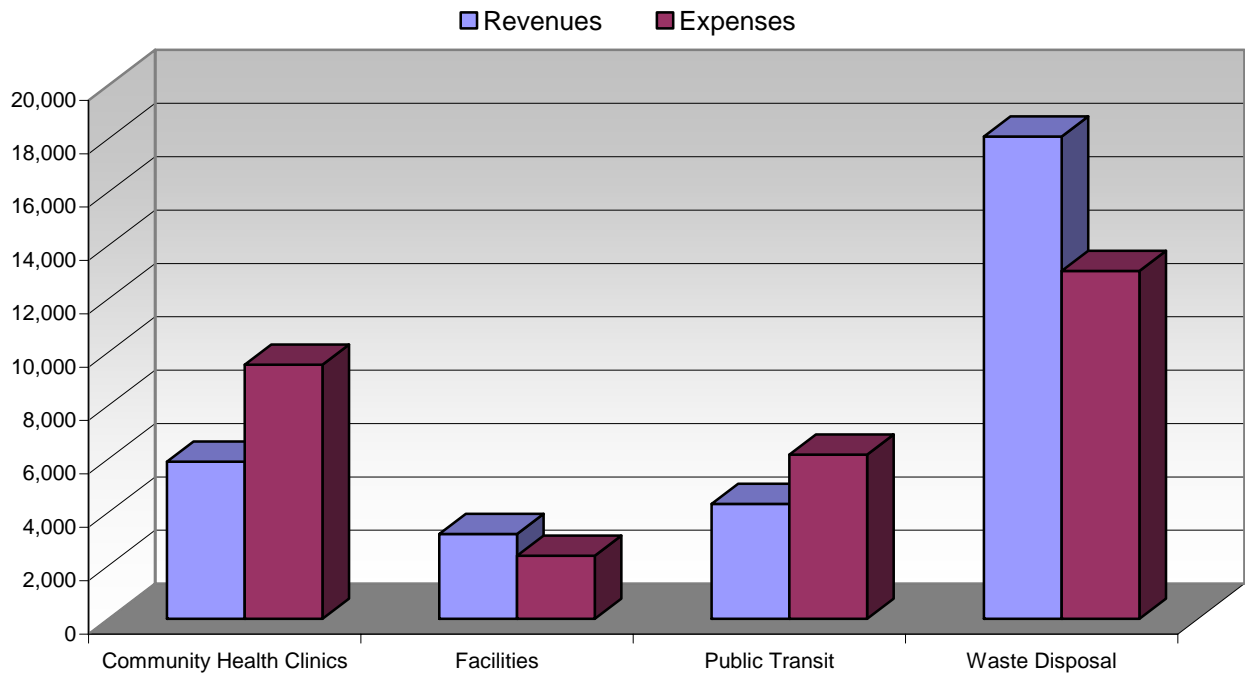
**Governmental activities** increased the County's net assets by \$67,242 thereby accounting for most of the increase in net assets of the County. The increase is due to County growth as reflected by increases in all forms of taxes, capital and operating grants and contributions, and an increase in charges for services due to growth and development.



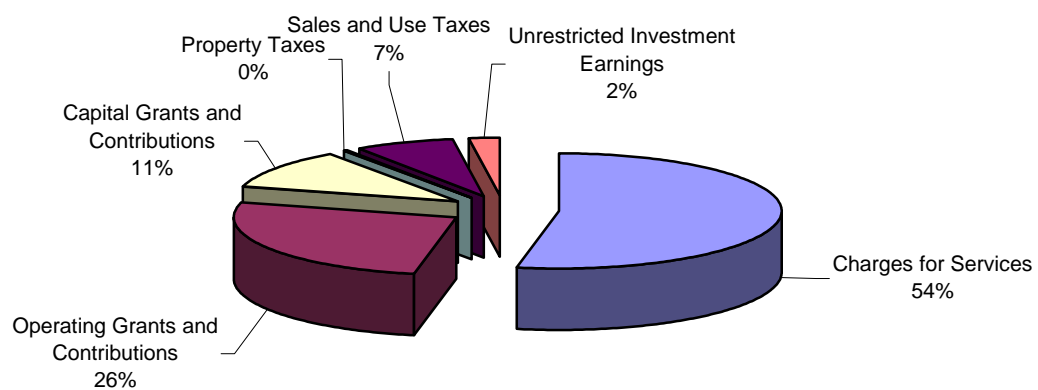
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Business-type activities** increased the County's net assets by \$7,583. The key factor that contributed to this increase was an increase in operating grants and contributions, and streamlining of operating expenses.

**Expenses and Program Revenues-Business Type Activities**



**Revenue by Source-Business-Type Activities**



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental funds

The County's general government functions are contained in the General, Special Revenue, Debt Service, Capital Projects and Permanent Funds. Also included in these funds are the special districts governed by the Board of Supervisors. As noted previously, the focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's more immediate financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2005, the County's governmental funds reported combined fund balances of \$318,152, an increase of \$31,876 in comparison with the prior year. Approximately 86.3 percent of the combined fund balances, or \$274,543, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved indicating that it is not available for new spending because it has been committed: 1) to pay debt service; 2) to reflect inventories, prepaids and deposits from others and the amount due from other funds that are long-term in nature and thus do not represent available spendable resources; 3) to liquidate contractual commitments of the period; and 4) to a general reserve established per County policy.

The General Fund is the chief operating fund of the County. At June 30, 2005, unreserved fund balance of the General Fund was \$94,955, while total fund balance reached \$106,668. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represented 49.8 percent of total fund expenditures, while total fund balance represented 56 percent of that same amount. The County General Fund's fund balance increased by \$14,507 during the current fiscal year. The key factors to this increase were increases in all forms of taxes and charges for services (revenues) and a stabilization of the County's workforce leading directly to cost savings.

The remaining major funds and other governmental funds' balances increased by \$17,369 to \$211,484. The key factors in this increase is 1) a \$28.2 million increase in fund balance in the Public Ways and Facilities and Capital Improvements Funds for planned construction of three County buildings, 2) a \$20.3 million decrease in Capital Projects Securitization as a result of current year construction in progress for the new County buildings and 3) a \$7.8 million increase in Other Governmental Funds for planned projects in County redevelopment areas, the North Lake Tahoe area, County Service Areas, and special programs.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

Revenues by Source	FY 2005		FY 2004		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Taxes	\$ 118,407	29.70%	\$ 105,647	31.22%	\$ 12,760	12.08%
Licenses, permits and franchise	8,469	2.12%	6,922	2.05%	1,547	22.35%
Fines, forfeitures and penalties	11,857	2.97%	12,634	3.73%	(777)	-6.15%
Use of money and property	7,475	1.87%	6,134	1.81%	1,341	21.86%
Intergovernmental	188,685	47.29%	154,468	45.64%	34,217	22.15%
Charges for services	59,157	14.83%	46,253	13.67%	12,904	27.90%
Contributions and donations	364	0.09%	663	0.20%	(299)	-45.10%
Tobacco settlement	2,700	0.68%	2,465	0.73%	235	-
Miscellaneous revenues	1,854	0.46%	3,255	0.96%	(1,401)	-43.04%
Total	<u>\$ 398,968</u>	<u>100.00%</u>	<u>\$ 338,441</u>	<u>100.00%</u>	<u>\$ 60,527</u>	<u>12.05%</u>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- *Taxes* increased by \$12.7 million or 12.1%. This increase is a result of the strong local real estate market as the County is the fastest-growing County in California.
- *Intergovernmental* increased \$34.2 million or 22.1%. This increase is due to a property tax/sales tax shift required by State statute, state and general fund contributions for road overlay, and state and federal aid for construction activities.
- *Charges for services* increased \$12.9 million or 27.9%. This increase is due to special election services, casino property tax-in-lieu, development fees and countywide cost allocation charges to departments and special districts.

The following table presents the amount of expenditures by function as well as increases or decreases from the prior year displayed.

Expenditures by Function	Expenditures by Function (in thousands)					
	FY 2005		FY 2004		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
General government	\$ 55,713	15.31%	\$ 54,578	17.35%	\$ 1,135	2.08%
Public protection	119,945	32.98%	109,702	34.87%	10,243	9.34%
Public assistance	49,378	13.58%	50,005	15.90%	(627)	-1.25%
Health and sanitation	60,094	16.52%	48,805	15.51%	11,289	23.13%
Public ways and facilities	27,268	7.50%	19,390	6.16%	7,878	40.63%
Recreation and cultural services	338	0.09%	576	0.18%	(238)	-41.32%
Education	4,520	1.24%	3,932	1.25%	588	14.95%
Capital outlay	39,842	10.96%	21,798	6.93%	18,044	82.78%
Principal paid on long-term debt	2,820	0.78%	1,964	0.63%	856	43.58%
Interest on long-term debt	3,767	1.04%	3,828	1.22%	(61)	-1.59%
Total	<u>\$ 363,685</u>	<u>100.00%</u>	<u>\$ 314,578</u>	<u>100.00%</u>	<u>\$ 49,107</u>	<u>172.33%</u>

- *Public protection* expenditures increased \$10.2 million or 9.3%. This increase is mostly due to salaries and benefits, purchases of equipment, general liability insurance, and costs associated with countywide cost allocation.
- *Health and sanitation* expenditures increased \$11.3 million or 23.1%. This increase is due to Adult and Children System of Care programs', additional State Hospital beds and higher medical support contracts, Community Health Care's Bioterrorism program and the purchase of a Bio Containment Lab.
- *Public ways and facilities* expenditures increased \$7.9 million or 40.6% from the prior year as a result of continued road construction and maintenance (e.g., asphalt overlays, slurry seal, signing and snow removal).
- *Capital outlay* expenditures increased \$18 million or 82.8%. This increase is due to the commencing of three major capital projects: South Placer Criminal Justice Facility, Auburn Justice Center and Land Development Building.

## Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the enterprise funds increased \$7,583 to \$122,083. The key factor that contributed to this increase was increased operating and capital grants and contributions and charges for services. The internal service funds net assets decreased by \$324 to \$23,172.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget for the fiscal year ended June 30, 2005 resulted in a \$1,423 increase in appropriations. The difference between the final amended budget and actual expenditures for the fiscal year ended June 30, 2005 was approximately \$24,305 and can be briefly summarized as follows:

- \$16,999 under-budget in general government expenditures due to a stabilization of the County's workforce, work-furlough programs, departmental cost savings and contingencies.
- \$1,513 and \$4,813 under-budget in health/sanitation expenditures and public protection expenditures, respectively, due to a stabilization of the County's workforce, work-furlough programs, departmental cost savings and contingencies.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$329,626 (net of accumulated depreciation). This investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment and construction in progress. The total increase in the County's investment in capital assets for the current period was 14.6 percent.

Major capital asset events during the current fiscal year included the following:

- \$12.8 million increase in land as a result of real estate purchases (\$6.2 million for South Placer land acquisition and \$1.4 million for other County and Redevelopment Agency projects) and \$5.7 million for easements and right of way due to road construction
- \$14 million increase in construction in progress mainly due to continuation of three major capital projects: South Placer Criminal Justice Facility, Auburn Justice Center and Land Development Building.

The following table presents a summary of the County's capital assets at June 30, 2005.

Capital Assets June 30, 2005 (in thousands)							
	Governmental activities		Business-type activities		Total		% of change
	2005	2004	2005	2004	2005	2004	
Land	\$ 38,083	\$ 25,258	\$ 1,398	\$ 1,398	\$ 39,481	\$ 26,656	48.11%
Construction in progress	48,827	33,114	1,206	2,862	50,033	35,976	39.07%
Structures and improvements	85,875	84,669	46,797	44,240	132,672	128,909	2.92%
Equipment	44,902	43,821	9,091	7,409	53,993	51,230	5.39%
Infrastructure	204,596	200,652	86,812	84,316	291,408	284,968	2.26%
Less: Accumulated depreciation	(183,863)	(188,372)	(54,096)	(51,694)	(237,959)	(240,066)	-0.88%
Total	<u>\$ 238,420</u>	<u>\$ 199,142</u>	<u>\$ 91,208</u>	<u>\$ 88,531</u>	<u>\$ 329,628</u>	<u>\$ 287,673</u>	<u>14.58%</u>

More detailed information about the County's capital assets is presented in Note 4 in the basic financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Long-term debt

At June 30, 2005, the County had total long-term debt outstanding of \$114,394. This amount is comprised of \$41,354 in loans payable, \$24,060 of certificates of participation, \$12,563 of compensated absences, \$2,314 of sewer and water and lease revenue bonds, \$27,629 of self-insurance liability, \$4,944 of landfill post closure liability and \$1,531 of capital leases payable.

During the year, retirement of debt amounted to \$3,263. Additions included \$816 for new capital leases and \$802 for redevelopment agency loans. Compensated absences increased \$1.4 and general liability and worker's compensation (self insurance liability) increased \$4,871.

The following table represents a summary of the County long-term debt as of June 30, 2005.

Outstanding Long-Term Debt June 30, 2005 (in thousands)							
	Governmental activities		Business-type activities		Total		% of change
	2005	2004	2005	2004	2005	2004	
Revenue bonds	\$ -	\$ -	\$ 2,314	\$ 2,590	\$ 2,314	\$ 2,590	-10.66%
Capital leases	1,063	1,792	468	635	1,531	2,427	-36.92%
Certificates of participation	24,060	24,805	-	-	24,060	24,805	-3.00%
Loans payable	41,354	41,082	-	-	41,354	41,082	-
Self insurance	27,629	22,758	-	-	27,629	22,758	21.40%
Landfill closure liability	-	-	4,944	4,944	4,944	4,944	0.00%
Compensated absences	12,017	10,335	546	740	12,563	11,075	13.44%
Total	<u>\$ 106,123</u>	<u>\$ 100,772</u>	<u>\$ 8,272</u>	<u>\$ 8,909</u>	<u>\$ 114,395</u>	<u>\$ 109,681</u>	<u>4.30%</u>

More detailed information about the County's long-term debt is presented in Notes 7 and 8 in the basic financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Due to the State's continuing budget deficits and resulting risk of significant revenue reductions, the following County budget goals were adopted in preparing the County's balanced budget for fiscal year 2005-2006:

- ❖ To maintain critical operations, programs and service levels within funding constraints.
- ❖ Continue with planned for and previously funded facility infrastructure and within overall financial resources provide for investments in County "quality of life" efforts and technology.
- ❖ To maintain, where possible, adequate contingencies and reserve levels.

In addition to the above, these factors were also considered:

- ❖ The fiscal year 2005-2006 budget maintains nearly all baseline services and proposes to fund a few, very high priority projects such as the road overlay program, specific capital construction projects, equipment and fleet replacement, and funding for future open space. The FY2005-06 includes an increase of \$19.5 million or 3.5% from the prior year.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- ❖ Salary and benefit costs in the County's operating funds have increased approximately \$16.4 million from the prior year budget. In addition to expected salary adjustments for labor contract provisions and merit step increases, the cost for employee medical, dental and vision insurance coverage continues to rise at a phenomenal rate. Also, the continuing poor performance of the investment market and sluggish economy has resulted in increased costs for contributions to the employee retirement system.
- ❖ Pension reform and budget dynamics dominate the State legislative process, interest rates are climbing, the U.S. dollar is weak and rising oil prices have resulted in cost increases to government, private businesses and individuals alike.
- ❖ The Board of Supervisors has approved a \$350-400 million Capital Facilities Financing Plan, including construction of the Auburn Justice Center and Land Development Buildings, renovation of the Fulweiler Administrative Annex, Phase I of the South Placer Criminal Justice Center and the Public Works Cabin Creek relocation.
- ❖ Currently, the State's fiscal crisis has led to a decrease in approximately \$18 million as a result of loss of \$15 million in state mandates and \$3 million as a result of an additional property tax shift. At this time, it is unknown when the County can expect repayment from the State as the State has yet to appropriate such funds.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Auditor-Controller, 2970 Richardson Drive, Auburn, CA 95603.